

Understanding and Negotiating Leisure Sales Agreements

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Presenter



- Greg Duff, Chair of Cairncross & Hempelmann's Hospitality, Travel & Tourism practice
- Former Associate General Counsel, Westin Hotel Company and General Counsel, VP of Development, Columbia Hospitality
- Operations practice includes management contracts; leasing; distribution, sales and marketing; and liquor licensing

Leisure Sales Agreements

1. Key Terms and Characteristics
2. Leisure Sales Channels
3. Wholesale Channel (T.O.U.R.S.)
 - Online Travel Agents
4. Key Supplier-Side Contract Concerns
5. Additional Common Negotiating Points
6. Recommended Negotiation Strategies

Leisure Sales Agreements

Key Terms

- Leisure Traveler
 - No predetermined business reason for stay
 - Not beneficiary of corporate rate agreement
 - Not member of group or event under group agreement
- Leisure Sales Agreement
 - Not Group Sales Agreement
 - Not Corporate Agreement

Leisure Sales Agreements

Evolving Nature of Leisure Sales

- Defining characteristics changing
- Pace of change increasing – technology & consolidation
- Focused distribution
- Cyclical nature of lodging industry

Leisure Sales Agreements

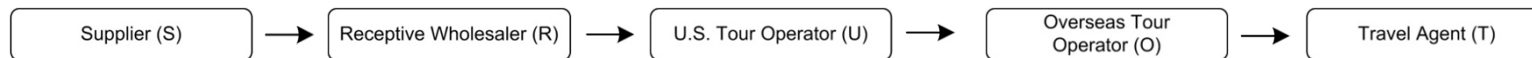
Leisure Channels

- Retail
 - Direct sale to guest w/o intermediary
 - Direct payment relationship
- Wholesale
 - Sale reliant on one or more intermediaries
 - Rarely direct payment relationship

Leisure Sales Agreements

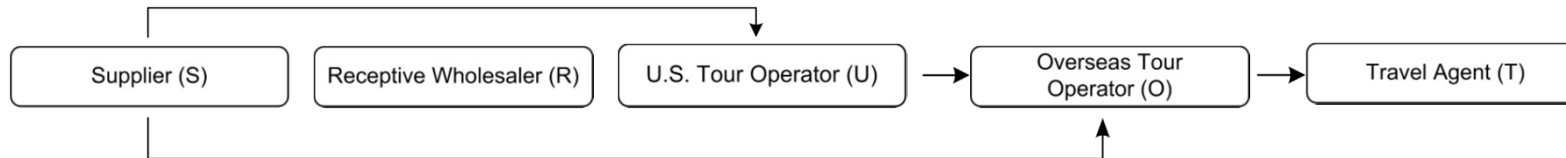
Wholesale Channel

T.O.U.R.S.



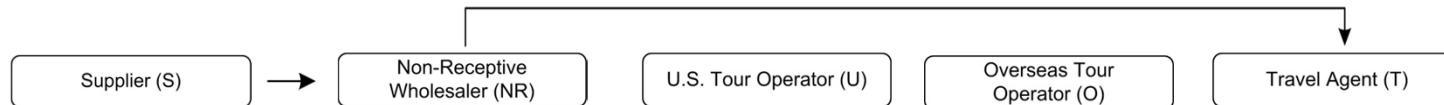
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Wholesale Channel T.O.U.R.S.



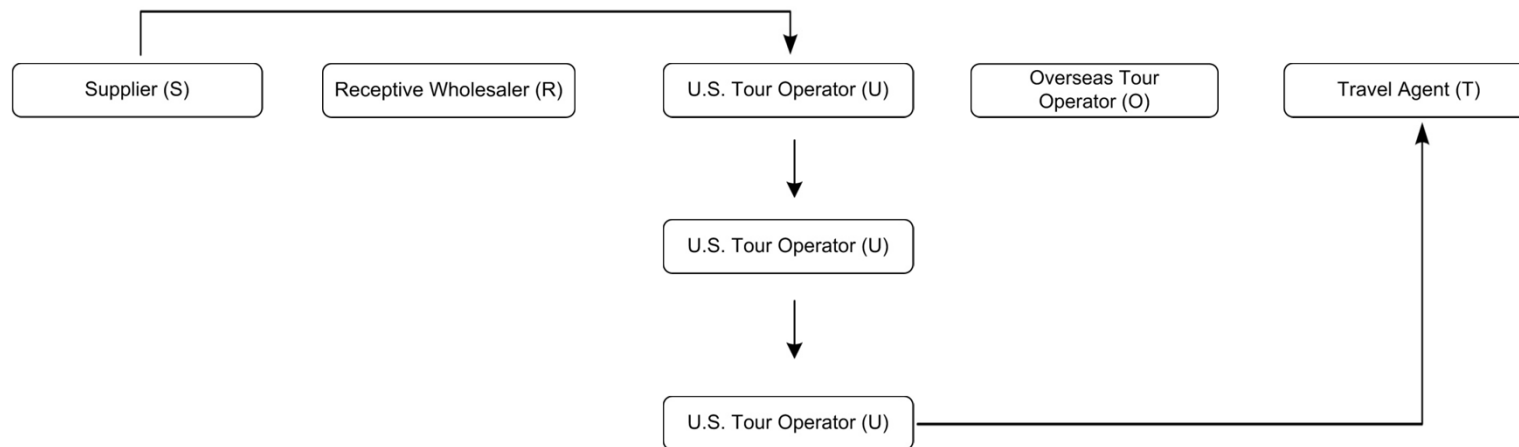
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Wholesale Channel T.O.U.R.S.



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Wholesale Channel T.O.U.R.S.



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Wholesale Channel

Wholesalers (R)

- Receptive (B2B)
 - Assembles elements in package
 - Distributes package to on-line or off-line tour operators
 - More intermediaries = larger discount required of supplier

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Wholesale Channel

Wholesalers (R)

- Non-Receptive (B2C)
 - Assembler
 - Distributes directly to guests via travel agent
 - Combine roles
- Combination
 - Combine roles, economy driven

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Wholesale Channel Wholesalers (R)

Examples include:



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Wholesale Channel

Tour Operators

- Receptive (B2B) or Non-Receptive (B2C)
- Purchase assembled packages from wholesaler
- Purchase elements directly from supplier

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Wholesale Channel Tour Operators

Examples include:

American Airlines VacationsSM
AAVacations.com

BRITISH AIRWAYS 



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Online Travel Agents (OTA)

- Play any number of roles in channel
- Treated separately – Internet distribution
- Multiple business models – opaque, merchant, net rate or commission
- Inventory sold or sales facilitated on packaged or stand-alone basis

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Key Supplier-Side Contracting Concerns

- Rate parity + integrity
 - Largest challenge amongst many channels
 - Impact of pricing model – net rate vs. retail + commission
 - Best rate guaranty
 - Dynamic vs. static pricing
 - Anti-trust implications

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Key Supplier-Side Contracting Concerns

- Inventory Management
 - Form of intermediary
 - Cyclical determination
 - Free sell vs. room blocks
 - Last room availability, black out dates, stop sell

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Key Supplier-Side Contracting Concerns

- Distribution Management
 - Receptive wholesalers or operators
 - On-line vs. off-line
 - Controls – geography, content
 - Liability for further distribution

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Additional Contracting Concerns

- Wholesalers user of supplier's trademarks
- Payment / business viability
- Taxes
- Communication and connectivity
- Data privacy, guest information, PCI
- Liability for managed properties

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Recommended Negotiation Strategies

- Role and position of intermediary
- Intermediary's distribution + pricing model
- Mechanics

Thank you!

